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UNCLAS SECTION 01 OF 02 PRAGUE 000274

SIPDIS

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SENSITIVE

STATE FOR EUR/NCE EFICHTE AND EB/IPE JBOGER
STATE PASS USTR FOR JCHOE-GROVES AND WMOORE
COMMERCE FOR 4232/ITA/MAC/MROGERS
COMMERCE PASS USPTO
STATE PASS LIBRARY OF CONGRESS

E.O. 12958: N/A

TAGS: [KIPR](#) [ETRD](#) [ECON](#) [EZ](#)

SUBJECT: CZECH REPUBLIC: ACTIONS TO COMBAT PIRACY AT BORDER
MARKETS

REF: A. PRAGUE 160

[1B](#). PRAGUE 244

[1C](#). STATE 7944

[11](#). (SBU) Summary and Comment: Post continues to believe that the Czech Republic should remain off the Special 301 Watch List. Because of the overall positive assessments in previous Special 301 reviews, combined with the fact that the complaints from the recording industry came to our attention only at the launch of the current Special 301 cycle, the USG has not engaged the Czech government in a sustained manner on the border markets. Likewise, there has not been adequate industry-to-government coordination. Absent this coordination, placement on the Special 301 Watch List does not seem to us warranted. Rather some form of special mention may be more appropriate this year.

[12](#). (SBU) Summary and Comment Continued: Further, industry appears split on how to engage the Czechs. The International Federation of Phonographic Industry (IFPI) argues for placement of the Czechs on the Watch List because of a lack of cooperation with local authorities. However, Nike representatives informed Econoff March 15 that placement on the Watch List will hurt the already good cooperation with local authorities that they have. Nike also explains that they similarly had good cooperation with Greek officials on fighting piracy, but saw that cooperation came to an abrupt end after placement on the Watch List.

[13](#). (SBU) Summary and Comment Continued: Czech law enforcement, private industry and embassy officials will coordinate their efforts to meet this challenge. Embassy personnel will visit the markets to survey their activities, petition the government for raid and market closure statistics to measure progress, and encourage Czech collaboration with Germany and Austria authorities to put an end to "pirate tourism". In six to eight months, post will review efforts and determine whether more needs to be done in focusing attention and action on this issue, such as media events and public diplomacy. End Summary and Comment

Nike Views

4.(SBU) During a visit to the Cheb Asian Dragon Market on March 7, 2007 (reftel B), Econoff noted that 30%-40% of vendors open for business were selling mostly low quality

shirts, sweaters, bags, and footwear with famous brand name logos like Nike, Reebok, and Dolce & Gabbana, all of which appeared to be counterfeit. Approximately 5%-10% of the stalls had DVD and CD displays, again, all of which appeared to be counterfeit. Despite the conspicuous display of shoes and textiles for sale, Nike feels differently than IFPI on how to address the Czechs on the issue. Nike and IFPI are, nonetheless, in agreement that Czech authorities need to pay more attention to licensing and monitoring of these markets.

Czech Action Plan

5.(SBU) Following a March 8 promise to Department of Commerce Assistant Secretary Bohigian to address music and film industry concerns regarding the growth of piracy sales at border markets located around the country, Czech Deputy Minister of Trade and Industry Martin Tlapa convened an intra-ministerial meeting March 14 to discuss ways to tackle the problem. Econoff met with Ministry of Trade and Industry Trade Policy Coordinator Adela Pristasova to learn the outcome of the meeting.

6.(SBU) Pristasova said that the Czech government places a high priority on combating IPR theft at the border markets and plans to continue to address the issue. Unfortunately, Pristasova said no specific new initiatives were agreed upon at the March 14 meeting. The ministry will coordinate with other ministries and members of parliament to see the passing of the following laws in 2007:

- Law on Consumer Protection and Customs Enforcement amended to strengthen the provision for registering vendors (vice stall owner who may live overseas).
- New criminal code that will increase fines and punishment

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for IPR violations.

- Copyright Act expected to be amended again for further accordance with EU law

7.(SBU) Pristasova stressed that since May 2006 when a new law on Consumer Protection and Customs Enforcement went into force that gave greater law enforcement competency to the Customs Directorate to combat piracy, the number of raids and seized goods has increased. According to Customs data that she provided, Customs has been performing a raid every three calendar days and seizing more than 2600 DVDs and CDs per raid. Pristasova also explained that the Czech Small Business and Tradesman Licensing Office, an inspectorate under the authority of the Ministry of Trade and Industry with 550 personnel, revoked 84 trade licenses and issued 2760 fines valued at CZK 3,800,000 (USD 200,000) in 2006 against market place vendors for selling pirated goods.

Embassy Action Plan

8.(SBU) Throughout the coming year, Post plans to raise awareness of the piracy issue with Czech authorities through Ambassadorial engagement at multiple levels, working with industry groups, and encouraging greater cross border cooperation with Austria and Germany.

19. (SBU) The Ambassador will focus attention on the size of the problem and the harm it has done to both Czech and U.S. industries in future meetings with senior government officials. The Ambassador intends to discuss the issue with Prime Minister Topolanek, Interior Minister Langer, and Trade and Industry Minister Riman, whom the Ambassador is scheduled to meet March 20 (septel will follow). The Ambassador also intends to discuss the issue with Members of Parliament from regions with large open air markets and directly with governors and other senior officials when he visits the

border regions.

10.(SBU) In the past few months, the recording industry representatives have provided a wealth of information about conditions on the border markets. Czech officials are still working to assess industry claims and to respond to the situation in the markets. Post will work with industry groups and GOCR officials to establish a more collaborative relationship, ideally including support in the form of, for example, training and conferences for Czech officials.

11.(SBU) Post will help direct industry groups and the Czech government to solicit help from Austria and Germany, which are the source of customers for the border markets. Post believes that German and Austrian officials can better inform tour companies and operators of "pirate tourism" about the harm and legality of purchasing pirated goods.
MUNTER